Box I: The Infrastructure, Climate and Nature Fund

Ireland's second new fund is the Infrastructure, Climate and Nature Fund. This Fund is the smaller of the two new funds outlined at the time of the Budget. It is intended to help avoid the need to cut capital spending in future downturns. More generally, its dual purpose is stated as to provide for countercyclical investment in the economy and to help achieve climate and nature goals.

The Fund is intended to provide support when

1) there is a significant deterioration in the public finances; and

2) there are projects that can help achieve Ireland's climate and nature goals.

Key features of the Infrastructure, Climate and Nature Fund[46]

Initial transfer and annual contributions

- An initial €2 billion will be transferred to the Fund from the dissolved Reserve Fund
- Yearly contributions of €2 billion will be made to the Fund from 2025 to 2030
- A €14 billion cap will apply in terms of contributions by 2030
- This cap equates to 5% of GNI*, the current annual target for capital expenditure
- Additional contributions can be made on Dáil resolution once the cap is not exceeded
- Contributions have to be made unless there is a specific Dáil resolution to halt or amend these or if a significant deterioration in the public finances is judged to exist
- In 2030, a decision will be made about future contributions

Drawdowns

- The Minister will evaluate whether a significant deterioration in the public finances has occurred such that resources will be drawn down in the following year
- Drawdowns to the Exchequer can occur in 2026 to 2030 following government approval and a Dáil resolution
- No more than one-quarter of the Fund's value can be paid out in a given year
- There are two criteria for drawdowns
- In a situation where the economic criteria are used to draw down amounts, all new climate and nature projects will be suspended and no further payments can be made except for those already underway
- For the climate criteria, drawdowns would only be allowed for projects reducing greenhouse gas emissions, improving water quality or meeting wildlife targets
- For climate criteria, no more than 22.5% of the Fund's value can be paid out and no more than €3.15 billion by 2030
- No commitments can be entered into which will provide for expenditure on the Fund post 2030

Investment strategy

- The NTMA will determine the investment strategy
- Investments will be on a commercial basis in or outside the State
- Investments should allow a timely drawdown
- The focus of investments is to be global, but since Irish assets are a feature of global indices, there is provision to allow for Irish exposures to be managed
- Investment are to be "responsible" in line with Environmental, Social and Governance (ESG) considerations

The Fund will help ringfence risky corporation tax receipts

In advance of the Fund being created, the Council assessed that it would be useful to ringfence excess corporation tax receipts, though its broader merits were less clearcut.[47] This is still the Council's broad assessment. A countercyclical fiscal policy is of course desirable, but it is not clear that the Fund is necessary to achieve this, with the National Spending Rule being a more critical tool in this regard.

[46] Based on the General Scheme of the Bill, which is subject to ongoing development.

[47] See Box A of Fiscal Council (2023b).